

INDIAN ENERGY EXCHANGE

RESULT UPDATE

KEY DATA

Rating	REDUCE
Sector relative	Underperformer
Price (INR)	139
12 month price target (INR)	131
52 Week High/Low	215/130
Market cap (INR bn/USD bn)	124/1.4
Free float (%)	100.0
Avg. daily value traded (INR mn)	1,215.4

SHAREHOLDING PATTERN

	Sep-25	Jun-25	Mar-25
Promoter	0%	0%	0%
FII	13.20%	18.53%	16.13%
DII	36.43%	34.12%	34.15%
Pledge	0%	0%	0%

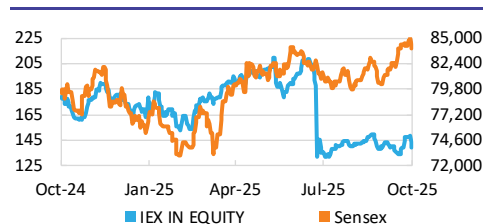
FINANCIALS

	(INR mn)			
Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	5,373	6,055	6,961	6,492
EBITDA	4,537	5,088	5,869	5,363
Adjusted profit	4,292	4,966	5,703	5,530
Diluted EPS (INR)	4.8	5.6	6.4	6.2
EPS growth (%)	22.3	15.7	14.9	(3.0)
RoAE (%)	40.7	41.0	41.2	35.9
P/E (x)	28.9	25.0	21.7	22.4
EV/EBITDA (x)	24.5	21.5	18.3	19.8
Dividend yield (%)	2.2	2.6	2.9	3.2

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	6,055	6,961	2.1%	12.5%
EBITDA	5,088	5,869	2.4%	14.1%
Adjusted profit	4,966	5,703	1.8%	9.0%
Diluted EPS (INR)	5.6	6.4	1.8%	9.0%

PRICE PERFORMANCE



Demand dip tempers volume growth

IEX's Q2FY26 adjusted PAT at INR1.23bn (+13.9% YoY) beat Street's estimate by ~3% on lower tax (24.1% versus 25.9% YoY). Overall volume grew ~8% YoY with REC falling 30% YoY—offset by RTM (+39% YoY), even as power demand stays weak (+3.1% in Q2FY26). While IEX benefits from RTM growth until power demand is muted, risks of long-term *power deficits could drive up spot prices i.e. lower spot volumes*. We introduce FY28E and defer DAM/TAM share loss to FY28E/29E.

We view 'market coupling' as a key threat to FY27–28 growth while potential benefit of MBED (if introduced) implies limited upside—despite factoring in rise in exchange-traded mix from 8% of generation in FY25 to 19% by FY33E; 'REDUCE' with a DCF-based TP of INR131.

Q2FY26: IEX's RTM volume share overtakes DAM for a first time

Q2FY26 DAM prices fell ~12.5% YoY, enabling higher spot volumes for IEX in the RTM segment, which grew ~39% YoY (38% mix in overall volumes). IEX's electricity volume increased ~16% YoY to 35.2BU while *DAM volumes (~37% of mix) grew 1.4% YoY; volume growth was mainly driven by RTM in Q2FY26* (spot segment). TAM (Term-ahead market) growth remained flat YoY. Lower *margin REC volumes plunged 30% YoY in Q2FY26, leading to soft overall volume growth of merely ~8% YoY leading to low 10.4% YoY growth in Q2 revenue*. OPM at 86.7% rose ~70bp YoY while EBITDA at INR 1,335mn missed street estimates by ~5%, whereas PAT at INR 1,233mn beat estimates by ~3% largely due to lower tax rate (24.1% versus 25.9% YoY).

Market coupling and other updates

IEX's 17-year dominance in the power exchange market faces a structural threat with the impending implementation of market coupling ([Click for MBED + market coupling details](#)). The next hearing of APTEL regarding IEX's challenge against CERC's coupling order is deferred to 28TH November 2025 post-which better clarity shall emerge. Management remains optimistic that a 'price war' may not necessarily play out in DAM/RTM. Furthermore, the company is awaiting approvals for extended TAM contracts, Green RTM and peak DAM/RTM variants to enhance its product offerings, and management foresees strong growth in IGX and ICX markets with exploration of regulations of India's first coal exchange underway.

Key variables to watch out for over next 18–24 months

The CERC's review of DAM coupling Jan-26 onwards is crucial—if extended to RTM and TAM, IEX's market share could erode further. The next 18–24 months will thus be key, with successful implementation hinging on complex backend technology wherein IEX claims an edge over competitors.

Financials

Year to March	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Revenue	1,539	1,394	10.4	1,418	8.6
EBITDA	1,335	1,199	11.3	1,153	15.7
Adjusted Profit	1,233	1,083	13.9	1,207	2.2
Diluted EPS (INR)	1.4	1.2	13.9	1.4	2.2

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Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	5,373	6,055	6,961	6,492
Energy Cost	0	0	0	0
Employee costs	461	513	571	641
Other expenses	375	454	522	487
EBITDA	4,537	5,088	5,869	5,363
Depreciation	213	248	267	287
Less: Interest expense	26	26	26	26
Add: Other income	1,201	1,542	1,724	1,951
Profit before tax	5,645	6,567	7,543	7,294
Prov for tax	1,354	1,602	1,839	1,764
Less: Other adj	0	0	0	0
Reported profit	4,292	4,966	5,703	5,530
Less: Excp.item (net)	0	0	0	0
Adjusted profit	4,292	4,966	5,703	5,530
Diluted shares o/s	891	891	891	891
Adjusted diluted EPS	4.8	5.6	6.4	6.2
DPS (INR)	3.0	3.6	4.0	4.5
Tax rate (%)	24.0	24.4	24.4	24.2

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Operation cost (% of rev)	0	0	0	0
Employee cost (% of rev)	8.6	8.5	8.2	9.9
Other exp (% of rev)	7.0	7.5	7.5	7.5
EBITDA margin (%)	84.4	84.0	84.3	82.6
Net profit margin (%)	79.9	82.0	81.9	85.2
Revenue growth (% YoY)	19.6	12.7	15.0	(6.7)
EBITDA growth (% YoY)	20.4	12.1	15.3	(8.6)
Adj. profit growth (%)	22.3	15.7	14.9	(3.0)

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.5	6.6	7.0	7.5
Repo rate (%)	6.3	5.0	4.5	5.5
USD/INR (average)	84.6	87.5	87.0	88.0
DAM (bu's)	54.1	54.1	54.1	54.1
TAM (bu's)	11.8	13.9	13.9	13.9
Exchange (bu's)	112.3	110.2	110.2	110.2
RTM (bu's)	(7.7)	6.2	6.2	6.2
Bilateral (bu's)	65.5	65.5	65.5	65.5
Trans fee (paisa/unit)	4.0	4.0	4.0	4.0

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	28.9	25.0	21.7	22.4
Price/BV (x)	10.9	9.6	8.4	7.7
EV/EBITDA (x)	24.5	21.5	18.3	19.8
Dividend yield (%)	2.2	2.6	2.9	3.2

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	891	891	891	891
Reserves	10,472	11,998	13,894	15,123
Shareholders funds	11,363	12,889	14,785	16,015
Minority interest	0	0	0	0
Borrowings	0	0	0	0
Trade payables	9,677	9,677	9,677	9,677
Other liabs & prov	735	735	735	735
Total liabilities	21,967	23,493	25,389	26,619
Net block	118	105	89	70
Intangible assets	751	698	630	546
Capital WIP	41	41	41	41
Total fixed assets	910	845	761	657
Non current inv	4,558	4,558	4,558	4,558
Cash/cash equivalent	12,906	14,491	16,466	17,801
Sundry debtors	26	33	38	36
Loans & advances	2,231	2,231	2,231	2,231
Other assets	673	673	673	673
Total assets	21,967	23,493	25,389	26,619

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	4,292	4,966	5,703	5,530
Add: Depreciation	213	248	267	287
Interest (net of tax)	20	20	20	20
Others	(1,216)	(205)	(237)	(286)
Less: Changes in WC	964	(7)	(5)	3
Operating cash flow	4,273	5,021	5,748	5,553
Less: Capex	(79)	(183)	(183)	(183)
Free cash flow	4,194	4,838	5,565	5,370

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	40.7	41.0	41.2	35.9
RoCE (%)	52.4	52.6	52.9	45.6
Inventory days	nm	nm	nm	nm
Receivable days	1	2	2	2
Payable days	nm	nm	nm	nm
Working cap (% sales)	(132.8)	(117.7)	(102.3)	(109.8)
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(1.1)	(1.1)	(1.1)	(1.1)
Interest coverage (x)	165.2	185.0	214.1	194.0

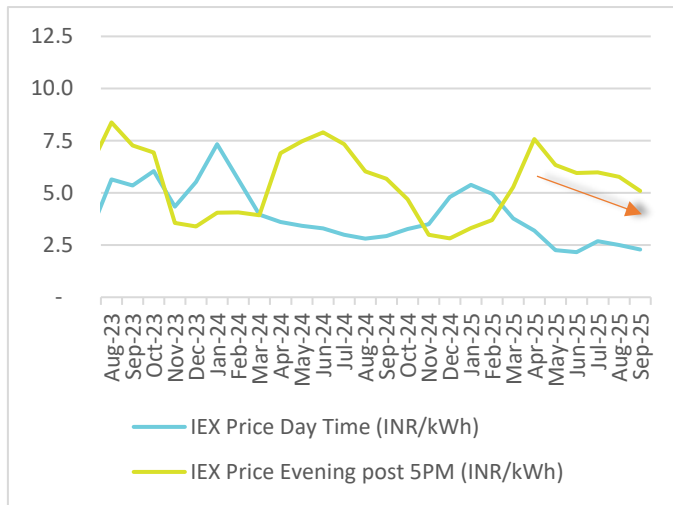
Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	22.3	15.7	14.9	(3.0)
RoE (%)	40.7	41.0	41.2	35.9
EBITDA growth (%)	20.4	12.1	15.3	(8.6)
Payout ratio (%)	62.3	65.0	62.5	72.5

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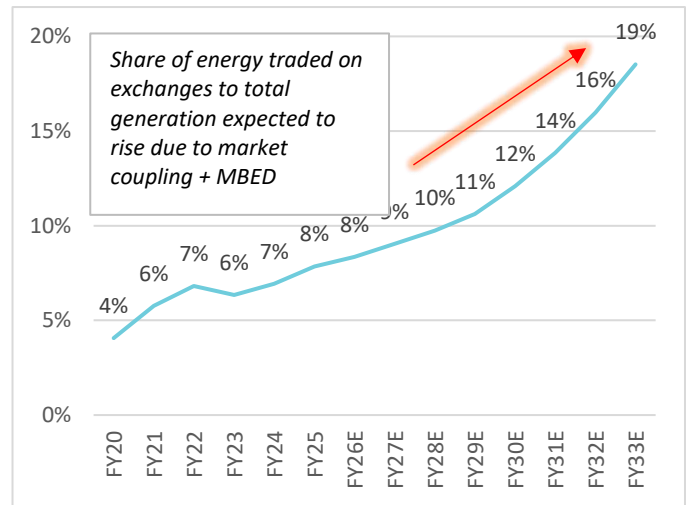
Key charts

Exhibit 1: IEX day time prices on a declining trend



Source: IEX, Nuvama Research

Exhibit 2: Coupling + MBED could raise share of exchanges...



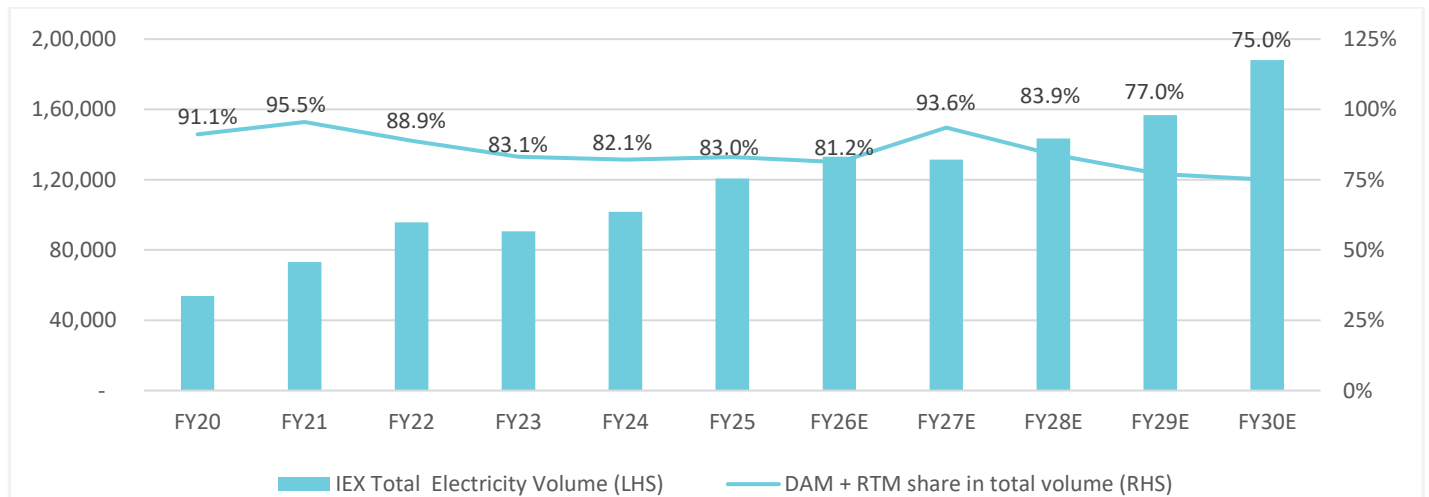
Source: Elekore, Nuvama Research

Exhibit 3: .. but despite higher exchange share, market share drop + margin reduction to play spoilsport (IEX TP sensitivity)

		Margin INR/kWh			
		0.04	0.035	0.03	0.025
IEX mkt Share (DAM from FY27 / RTM from FY29)	99%	No impact 144	131	118	106
	95%	144	131	118	106
	90%	143	131	118	106
	85%	143	131	118	105
	80%	143	131	118	105
	75%	143	131	118	105
	70%	143	Base Case 131	117	105
	65%	142	130	117	105
	60%	142	130	Bear Case 117	104

Source: Nuvama Research

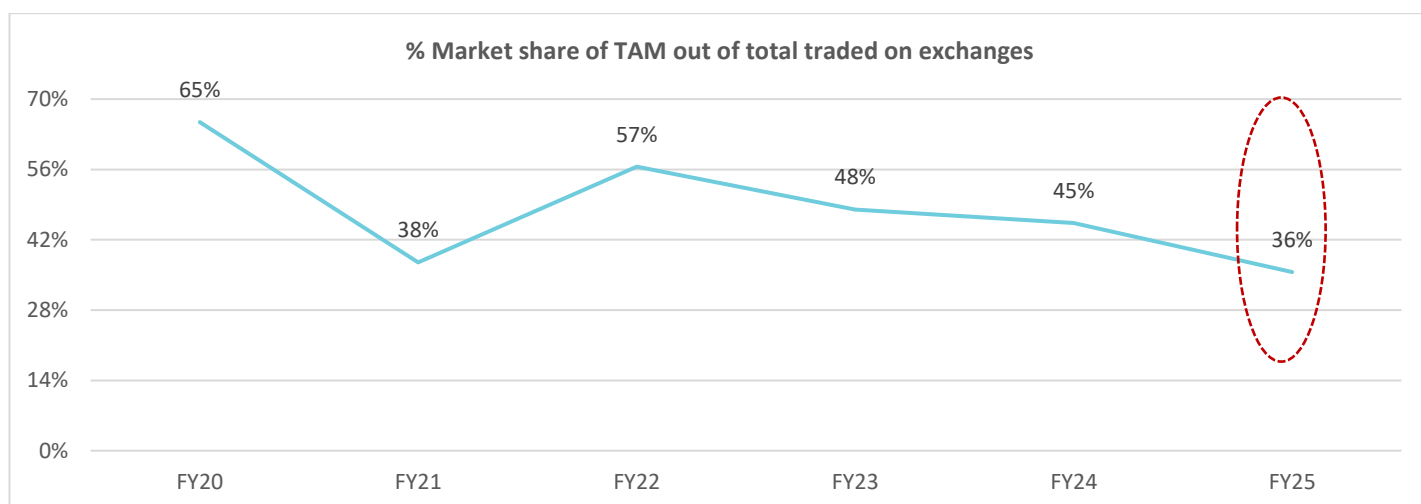
Exhibit 4: DAM + RTM account for a high ~80% of total electricity volumes traded on IEX – to be affected post-FY28E



Source: Company, Nuvama Research

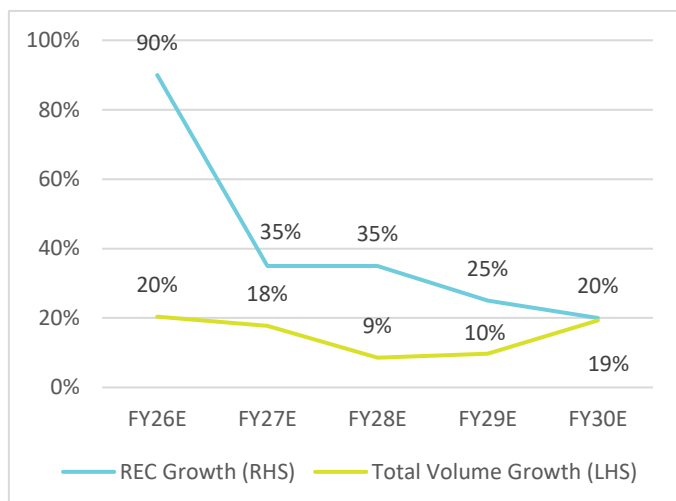
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Exhibit 5: IEX's market share in TAM is only 36% – low market share in a segment wherein price determination is not key



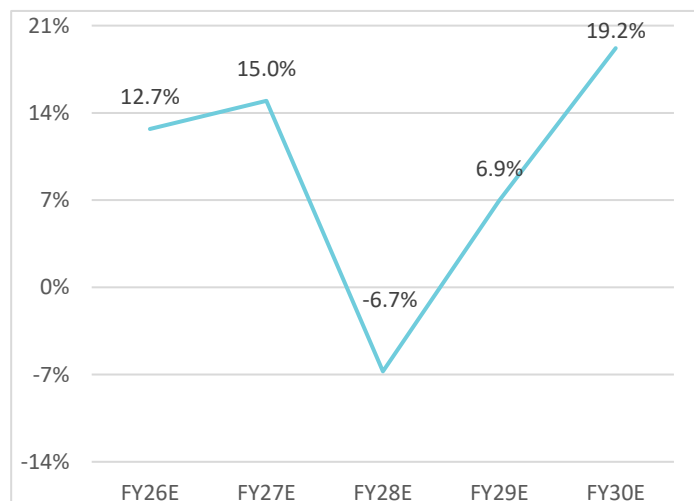
Source: Company

Exhibit 6: REC growth vs total volume growth assumption...



Source: Nuvama Research

Exhibit 7: ...revenue growth is not linear with REC growth



Source: Nuvama Research

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Exhibit 8: Quarterly financial snapshot (consolidated)

Year to March (INR mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)
Revenues	1,539	1,394	10.4	1,418	8.6
Staff costs	118	122	(2.6)	123	(3.7)
Other operating expenses	86	73	17.5	142	(39.1)
Total expenditure	205	195	4.9	264	(22.6)
EBITDA	1,335	1,199	11.3	1,153	15.7
Depreciation	57	53	6.8	54	4.6
EBIT	1,278	1,146	11.5	1,099	16.3
Interest	5	7	(19.2)	6	(8.1)
Other income	293	284	3.4	424	(30.8)
Add: Exceptional items gain/(loss)	0	0		0	
PBT	1,566	1,423	10.0	1,517	3.2
Tax	378	368	2.5	377	0.2
Reported Profit	1,188	1,054	12.7	1,140	4.2
Share of profit from associate	45	29	56.8	67	(32.3)
Adjusted Profit	1,233	1,083	13.9	1,207	2.2
Equity capital (FV INR 2)	891	891		891	
No. of Diluted shares outstanding (mn)	891	891		891	
Adjusted Diluted EPS	1.4	1.2	13.9	1.4	2.2
As % of net revenues					
Staff expenses	7.7	8.7		8.7	
Other operating expenses	5.6	5.3		10.0	
EBITDA	86.7	86.0	0.8	81.3	6.6
Net profit	77.2	75.6		80.4	
Tax rate	24.1	25.9		24.8	

Source: Company

Exhibit 9: Performance by each segment (quarterly)

Markets (MU)	Q2FY26	Q2FY25	YoY	Q1FY26	QoQ
DAM	14,535	14,332	1%	12,351	18%
RTM	14,924	10,732	39%	12,975	15%
TAM	2,719	2,691	1%	4,289	-37%
G-Market	3,039	2,584	18%	2,661	14%
Electricity volume	35,217	30,352	16%	32,382	9%
REC	4,421	6,297	-30%	5,265	-16%
Total	39,638	36,673	8%	37,646	5%

Source: Company

Company Description

Indian Energy Exchange (IEX) is the first and largest energy exchange in India providing a nationwide, automated trading platform for physical delivery of electricity, Renewable Energy Certificates (REC) and Energy Saving Certificates (ESC).

The exchange platform enables efficient price discovery and increases the accessibility of the power market in India. More than ~8,500 participants are registered on IEX from 29 states and five UTs. Of participants registered to trade electricity contracts, 75 are distribution companies, over 1100 electricity generators and over 5,700 Commercial & Industrial users.

The DAM + RTM constitutes majority of the energy contracts traded on IEX. IEX commanded a market share of ~99% of electricity contracts in DAM + RTM by volume. It floated a subsidiary Indian Gas exchange (IGX) and officially launched India's first gas exchange for physical delivery of gas. Launched ICX in December 2022 through GIFT City to facilitate voluntary carbon trade.

Investment Theme

Spot market volume growth is inversely related to power prices. Hence, in a power-deficit scenario when power prices rise, spot exchange volumes growth suffers as Discoms shift to other (cheaper, less volatile) instruments for power purchase. This is evident in FY23—as India hit a peak power deficit, power prices shot up to INR6.5/unit, up from INR4.08/unit in Mar-21. IEX volumes mirrored this movement, dropping by 5% YoY. This fall is attributable to a combination of high power prices and volume shift from DAM (Day Ahead Spot) to DAC (Day Ahead Contingency), which is part of TAM (Term Ahead Market).

Structural Shift- Market Coupling from Jan'26: CERC's approval of market coupling for DAM (RTM/TAM to follow) ends IEX's pricing monopoly, introducing uniform price discovery across exchanges. **Key Impact i) Loss of core moat** as price-setting now becomes uniform across exchanges; **ii) Market Share:** expected decline from 99% in FY25 to ~70% by FY27 (DAM) and FY28 (RTM); **iii) Margins:** Anticipated drop from INR0.04/kWh to INR0.035/unit by FY28 due to competitive pricing

Long-Term Opportunity MBED Rollout: We see market coupling as a precursor to MBED, which could significantly expand exchange-traded volumes. We est. energy traded on exchanges could rise from 8% of total generation in FY25 to 20% by FY33

Key Risks

Regulatory changes: Currently, IEX charges INR0.04/kWh, but if the regulator tinkers with the trading margin regulations or reduces the margins, it would impact EPS & consequently TP significantly. CERC has recently introduced market coupling for power exchanges in the DAM segment [w.e.f Jan'26](#), which essentially takes away IEX's business 'moat' of being the "best platform for price discovery", as now market coupler will take over the role of price fixation and the three exchanges will participate on a round-robin basis. Hence, it exposes the risk of IEX losing market share to other exchanges over time.

Volatility in power demand and prices: It is observed that maximum volumes are traded in a price band of INR3.5–INR4/kWh. External factors can impact the power demand-supply equilibrium, thereby impacting spot prices. Higher exchange prices could impact the buyer's decision (higher offtake through long-term PPAs) and extremely low exchange prices could impact sellers' decision (potentially impacting generators marginal cost). This could eat into the IEX's volumes.

Additional Data

Management

Non Executive Chairman and Managing Director	Satyanarayan Goel
Joint Managing Director	Rohit Bajaj
CFO & CS	Vineet Harlalka
Executive Director, Head of Marketing Operations	Amit Kumar
Auditor	Walker Chandio & Co LLP

Holdings – Top 10*

	% Holding		% Holding
PPFAS Asset Man	9.06	Vanguard Group	2.01
SBI Funds Manag	8.13	Mirae Asset Fin	1.19
ICICI Prudentia	6.36	Blackrock	1.05
Mirae Asset Mat	5.14	Canara Robeco A	0.83
Life Insurance	3.99	Dimensional Fun	0.62

*Latest public data

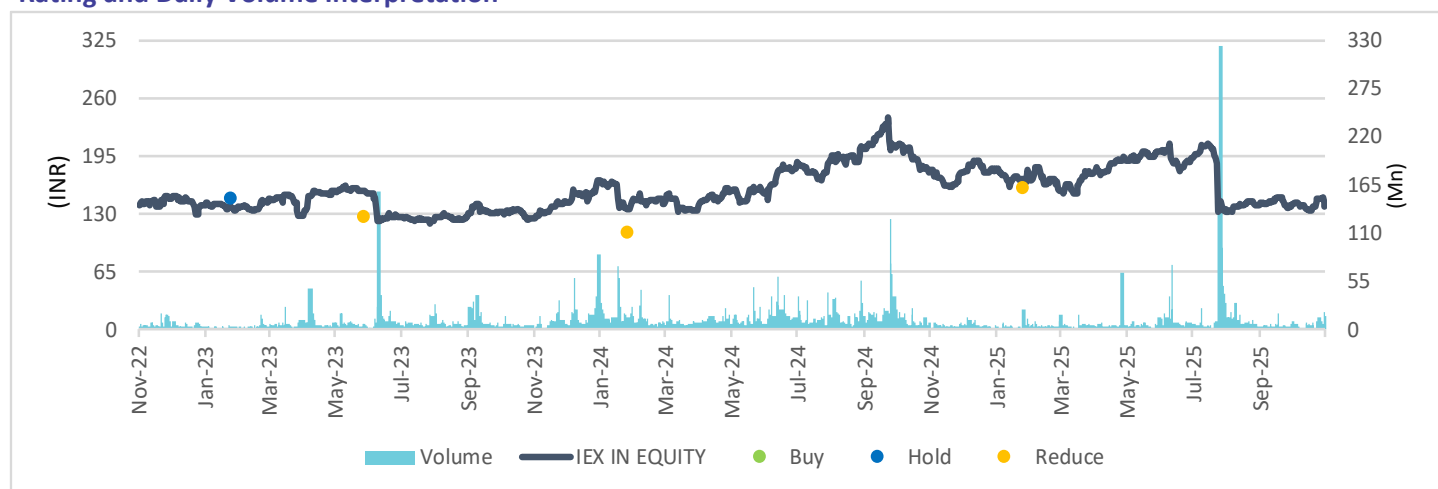
Recent Company Research

Date	Title	Price	Reco
25-Jul-25	Brace for impact: Market coupling hits; <i>Result Update</i>	145	Reduce
25-Apr-25	Higher RTM volumes drive in-line PAT ; <i>Result Update</i>	190	Reduce
24-Jan-25	PAT growth mimics volume growth ; <i>Result Update</i>	168	Reduce

Recent Sector Research

Date	Name of Co./Sector	Title
18-Oct-25	CESC	Standalone shines; focus on RE growth; <i>Result Update</i>
10-Oct-25	Power	Extended monsoon dampens Q2 PLFs; <i>Sector Update</i>
26-Sep-25	ACME Solar Holdings	Deciphering the fine print; <i>Company Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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